Survey: U.S. Employers Turning to Wellness Programs to Manage Health Care Costs

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83 Percent of Employers Report Raising Employee Share of Coverage Costs

WASHINGTON, D.C., June 22, 2004 – Businesses are increasingly turning to wellness programs to get a handle on rising health care costs, and most believe these programs will have a long-term impact but few short-term benefits, according to a survey released today by the Deloitte Center for Health Solutions and the ERISA Industry Committee (ERIC). The survey also found that 83 percent of employers surveyed increased the amount of money employees contribute to their own health care coverage in the last year.

The survey of 365 of the nation's leading companies found that 62 percent of companies said they implemented wellness programs to improve employee health, and another 33 percent said they were considering such programs. Of those companies with programs, 64 percent said rising health care costs were "a major factor in our decision" and another 34 percent said high costs played some role.

Only 5 percent of the companies surveyed said they don't have wellness programs or plans for them, and only 2 percent of those with wellness programs said rising health care costs played no role in adopting them.

"Employers large and small see the potential in encouraging employees to lead healthier lifestyles by eating better, exercising more and not smoking," said Tommy G. Thompson, the Independent Chairman of the Deloitte Center for Health Solutions. "Wellness programs are a long-term investment in a healthier, happier and more productive workforce. That will be good for workers' waistlines – and companies' bottom lines."

Mark J. Ugoretz, ERIC's president stated: "Wellness programs are an efficient and cost-effective way to encourage workers to lead healthier lives, and healthier employees mean lower costs for employees and employers. The survey is a great tool to show employers how their employees take advantage of available wellness programs, and if those programs need to be changed or new ones added."

Employers made clear that wellness programs are just part of their strategy to manage rising health care costs, and shifting some of the cost to workers was the most popular step. Eighty-three percent of those who responded said they have increased employees' contributions to their health coverage in the last year. Another 30 percent said they had introduced consumer-directed health options, such as flexible spending accounts, in the last year.

While adopting wellness programs to reduce health care costs, businesses are not expecting results overnight. When asked, "Do you believe that helping employees lead healthier lifestyles will make a noticeable difference to the companies health care costs?"

- 4 percent said, "Yes, we expect to see immediate improvement.
- 80 percent said, "Yes, but it will take a while to see results."
- 14 percent said, "Possibly, but there are other reasons we wanted to do this."
- 2 percent said, "No, we don't expect it to have a measurable impact."

Another question showed the uncertainty on what effect wellness programs will have for companies, with 4 percent saying they have seen a reduction in sick days since implementing wellness programs, 65 percent saying it was too early to tell, and 31 percent saying they haven't seen a reduction.

The survey found the companies are offering a variety of wellness programs to promote employee health, including:

- Smoking cessation programs – 56 percent.
- Subsidized gym programs – 43 percent.
- On-site workout facilities – 50 percent.
- Health risk assessments – 61 percent.
- Allow employees to use time during the work day to exercise – 27 percent.
- Adding healthier foods to menu in company cafeterias – 48 percent.
- Diet counseling – 27 percent.
- Employee diet groups – 48 percent.
- Other – 32 percent, including free flu shots, healthier vending machine choices, wellness Web sites, and on-site massage therapy.

Additionally, 47 percent of respondents said they are offering employees incentives to participate in wellness programs, including:

- Cash payments – 29 percent.
- Reduced medical co-pay costs – 15 percent.
- Rebate of program costs – 30 percent.
- Other – 48 percent, including gift certificates, prizes, and free membership to on-site exercise facilities.

Of those companies that offer wellness programs, most report that fewer than a quarter of employees are participating:

- Less than 10 percent participate– 32 percent
- 11 to 25 percent – 29 percent.
- 25 to 50 percent – 23 percent.
- 50 to 75 percent – 11 percent.
- 76 to 90 percent – 4 percent.
- More than 90 percent – 1 percent.

The survey was conducted the first two weeks of June. Results were presented by Secretary Thompson and Barbara Gniewek from Deloitte Consulting LLP at the ERISA Industry Committee's "Major Employers: Controlling Your Healthcare Budget" conference.

About the Deloitte Center for Health Solutions
The Deloitte Center for Health Solutions, located in Washington, D.C., is part of Deloitte & Touche USA, LLP. The Center is led by Independent Chairman Tommy Thompson, former Secretary of Health and Human Services and former Governor of Wisconsin.

The Center is focused on delivering research and solution development for our nation's most pressing health care and public health related challenges, focusing on prevention and wellness programs, the uninsured, adoption of health information technology, Medicare and Medicaid.

About ERIC
The ERISA Industry Committee (ERIC) is a non-profit association committed to and represents exclusively the advancement of the employee retirement, health, and compensation plans of America's largest employers. ERIC's members provide benchmark retirement, health care coverage, compensation and other economic security benefits directly to tens of millions of active and retired workers and their families. ERIC has a strong interest in proposals affecting its members' ability to deliver those benefits, their cost and their effectiveness, as well as the role of those benefits in the American economy.